

Health Care Market Oversight (HCMO) Program Notice of Material Change Transaction

The applicant must complete and submit this notice of proposed material change transaction to hcmo.info@oha.oregon.gov.

One important role of the Health Care Market Oversight Program is to notify the community and people living in Oregon when entities propose a material change transaction. This document will be published and serve as the public notice. Contact program staff with any questions or to request technical assistance at hcmo.info@oha.oregon.gov.

Note: if any entity involved in the proposed transaction has associated National Provider Identifiers (NPIs), complete and submit the NPI form.

I. General Information about the Transaction and Entities

1. Provide the name, title, organization, and email address of the individual completing this form on behalf of the applicant.

Name	Timothy Hatfield
Title	Partner
Organization	Stoel Rives
Email Address	timothy.hatfield@stoel.com

Provide a mailing address for OHA to send a physical copy of the final order.

Name	Monica Martinez
Address	315 SW Fifth Ave.
Unit/ number	
City	Portland
State	Oregon
Zip	97204

2. What type of material change transaction is the applicant proposing¹?

Merger Contract Other (specify) _____
 Acquisition Affiliation

3. What is the proposed effective date of the material change transaction?

This transaction will close upon the satisfaction of all the closing conditions set forth in the Affiliation Agreement by and between CareOregon Inc. and SCAN Group, including receipt of all necessary regulatory approvals.

¹ Please see OAR 409-070-0010 for definitions of transactions subject to review.

4. Briefly describe the applicant completing this notice.

Describe the notifying applicant's business (including business lines or segments), ownership type (corporation, partnership, limited liability corporation, etc.), governance and operational structure (including ownership of or by a health care entity), annual revenues, and geographic areas of operation. For health care entities, also include provider type (hospital, physician group, etc.), facilities owned or operated, service lines, number of staff, geographic service area(s), and capacity or patients served in Oregon (e.g., number of licensed beds, number of patients, quantity of services provided annually). Include the mailing address, website(s), and Federal Tax ID(s) of the applicant.

SCAN Group is a mission-driven non-profit organization that is tackling some of the biggest issues in health care for older adults, including chronic illness, access to care, homelessness, inequities, and loneliness. SCAN Group is the sole corporate member of SCAN Health Plan, one of the nation's foremost not-for-profit Medicare Advantage plans, serving more than 270,000 members in California, and additional SCAN Health Plan entities in Arizona and Nevada, and expanding to Texas in 2023 through separately incorporated subsidiaries. Independence at Home, a SCAN Health Plan community service, provides vitally needed services and support to seniors and their caregivers. Since 2020, SCAN Group has launched three mission-aligned medical groups, Healthcare in Action, which serves patients experiencing homelessness; Welcome Health, a primary care provider for individuals 65 and up; and MyPlace Health, a joint venture integrated care delivery organization that specializes in providing personalized care and coverage to older adults. SCAN Group also recently acquired The Residentialist Group, an organization that provides clinical services to frail and vulnerable older adults in their homes. The SCAN Foundation, created in 2008 through a one-time contribution from SCAN Health Plan, works to ensure the availability, affordability, and quality of long-term services and supports that keep vulnerable older adults independent at home.

SCAN Group is governed by a board of directors. SCAN Group's consolidated revenue in 2022 is estimated to be approximately \$4.4 billion and total number of staff is approximately 1,400 employees.

Attached as Exhibit A is SCAN Group's organizational structure.

SCAN Group
3800 Kilroy Airport Way, Suite 100
Long Beach, CA 90801

<https://www.scanhealthplan.com/>
TaxID: 95-3826037

5. Describe all other entities involved in the proposed transaction.

For each entity, describe the entity's business (including business lines or segments), ownership type (corporation, partnership, limited liability corporation, etc.), governance and operational structure (including ownership of or by a health care entity), annual revenues, and geographic areas of operation. For health care entities, also include provider type (hospital, physician group, etc.), facilities owned or operated, service lines, number of staff, geographic service area(s), and capacity or patients served in Oregon (e.g., number of

licensed beds, number of patients, quantity of services provided annually). Include the mailing address, website(s), and Federal Tax ID(s) of entities involved in the proposed transaction. Limit the response to 500 words per entity described.

CareOregon works to elevate the well-being of all Oregonians, especially those living in poverty, through first-class health care and programs to improve the social conditions that affect wellness. CareOregon's mission is to Inspire and partner to create quality and equity in individual and community health and its vision is Healthy communities for all individuals, regardless of income or social circumstances.

To better integrate care for Oregon Health Plan ("OHP") members, the state legislature in 2012 created community-based entities called Coordinated Care Organizations ("CCO"). CCOs are built around patient-centered primary care designed to coordinate care and emphasize prevention. Results tracked by the state show CareOregon is achieving the Triple Aim of improving population health, enhancing the patient experience of care, and reducing the rate of cost increase.

CareOregon manages, cares for, and provides physical, dental, and mental health care services and substance use treatment to OHP (Medicaid) members. CareOregon offers care coordination, health-related services for special needs, culturally and linguistically appropriate care and non-emergent medical transportation needs.

CareOregon contracts with a network of community and private medical providers throughout the state of Oregon, paying negotiated fees for health services to these providers. CareOregon performs services under risk-bearing delegation agreements with its subsidiary CCOs and with Health Share of Oregon, the non-affiliated CCO in the Portland metro area.

Beyond providing access to services and treatments, CareOregon works to ensure that members' voices are heard through its community advisory councils in each region it serves. CareOregon partners with and supports community organizations through its community benefit programs, which provided financial support for its network providers during the pandemic, provides grants, and invests in programs strategically aligned with CareOregon's mission and vision.

In Multnomah, Clackamas and Washington counties ("Metro"), CareOregon provides OHP benefits to its members through its risk-bearing delegation and administrative services agreements with Health Share of Oregon, the Metro CCO, which holds the CCO contract with the Oregon Health Authority ("OHA").

Jackson County CCO, LLC, dba Jackson Care Connect ("JCC"), is an Oregon limited liability company whose sole member is CareOregon, serves Jackson County, providing OHP benefits to its members through its CCO contract with the OHA.

Columbia Pacific CCO, LLC, is an Oregon limited liability company whose sole member is CareOregon, serving Clatsop, Columbia and Tillamook counties, and providing OHP benefits to its members through its CCO contract with the OHA.

Health Plan of CareOregon, Inc., dba CareOregon Advantage ("HPCO"), contracts with the Centers for Medicare and Medicaid Services ("CMS") to provide Medicare benefits through

its Medicare Special Needs Plan (“SNP”) for members dually-eligible for Medicare and Medicaid. HPCO is a Health Care Service Contractor (“HCSC”) domiciled in the state of Oregon and is regulated by the Department of Consumer and Business Services (“DCBS”), Division of Financial Regulation.

Housecall Providers Services, LLC, dba Housecall Providers Hospice, is an accredited hospice agency serving the Metro area through its payer contracts with CareOregon and other health systems.

Housecall Providers, PC (“PC”) provides home-based primary care and palliative care physician services for home-bound patients in the Metro area. CareOregon owns 49% of the voting common stock (Amit Shah, MD owns the remaining 51% of the voting common stock.) The majority of the board of directors of PC consists of physicians licensed to practice medicine in the state of Oregon.

Care Access, LLC (“Care Access”) owns a medical office building to further access to health care services in the underserved Rockwood area of Portland, Oregon. The building is leased to the Multnomah County Health Department, which operates a federally qualified health center at the premises.

Attached as Exhibit B is additional information regarding the CareOregon entities.

6. Briefly describe the nature and objectives of the proposed material change transaction, including any changes in ownership, governance, or operational structure, any exchange of funds between the parties (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of health care services).

SCAN Group and CareOregon entered into an Affiliation Agreement dated December 13, 2022 (the “Affiliation Agreement”). Upon the closing of the Affiliation Agreement, CareOregon shall, among other things, convert from an Oregon non-member public benefit corporation to an Oregon member public benefit corporation and name SCAN Group as the sole member. CareOregon and its existing affiliates (sometimes collectively referred to herein as the “CareOregon Companies”) will become direct and indirect subsidiaries of SCAN Group, which will be re-named “HealthRight Group.” Attached hereto as Exhibit C is a post-closing organizational chart of HealthRight.

A primary objective of this transaction is to create a non-profit, mission-based alternative to the for-profit companies that dominate the Medicare and Medicaid markets nationally. This transaction will also allow both SCAN Health Plan and CareOregon to increase options, improve healthcare access and better manage complex care for their members and those who do not currently have access to high-quality, community-based healthcare. Combining the resources and expertise of CareOregon and SCAN Group will improve each entity’s ability to deliver affordable, accessible and patient-centered healthcare.

Neither party’s services or service area will change upon closure of the transaction. All existing CareOregon and SCAN Group entities will continue to operate their Medicaid and Medicare Advantage programs under their existing consumer-facing brands. In the future, CareOregon and SCAN Health Plan will continue to explore opportunities for additional growth while ensuring compliance with regulatory filing and other requirements.

The board of directors of CareOregon will remain in place post-closing and continue to exercise CareOregon's corporate powers, including the power to direct the management of the corporation. CareOregon will appoint four of its members to serve on HealthRight's existing board. Neither CareOregon nor HealthRight anticipate that the closing of this transaction will result in any other changes to the composition of their boards of directors.

Neither party will pay consideration associated with the change of control. To support ongoing investments and operations of the combined organization, CareOregon and SCAN Health Plan, a subsidiary of HealthRight, will each make contributions to HealthRight in amounts roughly proportional to their current annual revenues. Specifically, SCAN Health Plan has already contributed funds which are currently valued in excess of \$244,000,000 to HealthRight. Upon closing, CareOregon will make a one-time contribution of \$50,000,000 to HealthRight. Beginning with respect to the 2024 calendar year, and each year thereafter, CareOregon will make additional annual contributions to HealthRight equal to 0.5% of the annual aggregate gross revenues of the CareOregon Companies until aggregate annual contributions equal \$70,000,000. HealthRight will use this capital to fund initiatives in furtherance of the purposes of HealthRight and CareOregon, including investments benefitting vulnerable populations in the State of Oregon.

Notwithstanding the foregoing, CareOregon may elect to defer any such annual contribution if the net income of CareOregon and its affiliates for the year in question is less than 0.5% of the annual aggregate gross revenue of CareOregon and its affiliates. Additionally, for a period of two years from the closing, no funds will be transferred from either CCO to HealthRight or any non-CareOregon affiliate, other than payments made under intercompany agreements, if such transfer would reduce the CCO's or HPCO's reserves below 600% of its risk-based capital.

Prior to the closing, CareOregon will establish a charitable foundation and at or prior to closing (or such other date mutually agreed to by CareOregon and HealthRight) contribute \$25,000,000 to such foundation, which will provide financial support for charitable organizations that focus on serving the needs of Oregon's most frail and vulnerable individuals.

All distributions from a CCO or HPCO will be subject to any required notices to, and approvals by, the OHA or Department of Consumer and Business Services.

7. Briefly describe any anticipated operational or management changes resulting from the transaction, including changes in health care services offered, staffing changes, new investments or other initiatives, implementation of new policies and procedures, and organizational structure changes. Include a description of the transaction's impact on the financial stability of any entity involved in the transaction.

Neither CareOregon nor SCAN Group anticipates any changes to their respective services or service areas in connection with the closing of this transaction. Likewise, neither party anticipates or plans significant changes to their management or staffing. Eric Hunter will continue to serve as the CareOregon CEO and will become President of HealthRight's new Medicaid division. SCAN Group, SCAN Health Plan, CareOregon, and the CCOs will remain in their current locations and offices, and neither party has any current plans to move staff to the other entity.

As noted above, the board of directors of CareOregon will remain in place post-closing and continue to exercise CareOregon's corporate powers. CareOregon will remain the sole

member of each CCO. Additionally, each of CareOregon's CCO affiliates will retain its existing board of directors and community advisory council, and each board will continue to have fiduciary responsibility and oversight over the management, operations, finances, strategy, and governance of each CCO. The parties also do not anticipate any changes to the composition of either CCO's board or community advisory council as a result of this transaction.

CareOregon will continue providing comprehensive management and administrative services to its CCO affiliates pursuant to its existing intercompany service agreements. It will also continue providing certain delegated services to Health Share of Oregon, Inc. CareOregon has no current plans to amend any agreements with these partners.

This transaction will maintain or improve the financial stability of both CareOregon and SCAN Group. The combined HealthRight organization will have revenues of approximately \$6.8 billion in 2022. Their combined reserves were \$1 billion as of January 1, 2022, as reflected in the organizations' consolidated financial statements. Furthermore, for a period of two years from the closing, no funds will be transferred from either Health Plan of CareOregon, Inc. or either CCO to HealthRight or any HealthRight affiliate, other than payments made under intercompany agreements, if such transfer would reduce the CCO's or HPCO's reserves below 600% of its risk-based capital.

II. Impact from the Proposed Transaction

8. Describe the expected impact – increase, decrease, or no change – of the proposed transaction on access to affordable health care in Oregon. Explain your answer.

This transaction will maintain or enhance access to affordable, high-quality health care for CareOregon’s members. CareOregon and SCAN Group are both mission-driven, community-based non-profit healthcare organizations that are dedicated to transforming the health care system for traditionally underserved populations. By bringing together the expertise, experience and resources of SCAN Group and CareOregon, HealthRight will lead and inspire new ways of solving the most pressing challenges facing the health care system, including problems related to access to affordable care.

CareOregon looks forward to learning from several of SCAN Group’s initiatives focused on improving access, and vice versa. For example, SCAN Health Plan offers a Medicare Advantage plan designed for LGBTQ+ seniors. SCAN Group also operates a medical group called Healthcare in Action that provides direct medical care to patients experiencing homelessness in Southern California. CareOregon will learn from these initiatives and gain additional tools to improve access and quality for a range of populations in Oregon. The financial strength of these organizations will also facilitate greater investments in initiatives focused on improving access, such as service options designed specifically for vulnerable groups, such as seniors and LGBTQ+ members.

9. Explain how, if at all, the proposed transaction will:

- a) improve health outcomes for residents of this state.

This transaction will improve CareOregon’s ability to control costs of, improve access to, and increase the quality of health care for its members and all Oregonians. CareOregon’s model aims to increase options, improve health care access, and better manage complex care for our current membership as well as those who do not currently have access to high-quality, community-based healthcare.

SCAN Health Plan’s Medicare Advantage Health Plan in California has scored 4.5 STARS for six consecutive years. The STARS program includes numerous measures related to access and quality. SCAN Health Plan will be able to assist CareOregon by sharing its experience and expertise related to access and quality.

- b) benefit the public good by reducing the growth in patient costs. (If the transaction will not reduce the growth in patient costs, explain why the proposed transaction is in the best interest of the public.)

OHP beneficiaries served by CareOregon do not and will not pay premiums or have other cost sharing responsibilities. Similarly, the dual Medicare-Medicaid members of CareOregon’s Dual Special Needs Plan (D-SNP) will continue to pay no premiums or other cost sharing.

- c) benefit the public good by increasing access to services for medically underserved populations.

Please see the response to question 8 above. Both SCAN Health Plan and CareOregon are dedicated to serving vulnerable populations. This mission alignment will increase each organization's ability to accomplish its goals. In the near term, CareOregon and SCAN Health Plan intend to leverage their respective expertise regarding medically underserved older adults and Medicaid populations. This will help both organizations improve and expand their current initiatives focused on improving access for medically underserved populations. For example, a program of SCAN Health Plan, Independence at Home, provides multiple no-cost programs to older adults and caregivers in the community. These include Insights, a program offering short-term behavioral health services for older adults experiencing mild to moderate symptoms of depression or anxiety, and a community resource line to assist older adults in connecting with community-based services designed to promote independent living. Independence at Home also supports SCAN Health Plan's charitable giving program, focusing on organizations that provide, among other things, nutrition, social isolation, and emergency assistance support for older adults throughout SCAN Health Plan's service areas. In 2021, SCAN Health Plan launched Healthcare in Action, a medical delivery practice serving people experiencing homelessness in several communities in Southern California through "street" medicine teams. SCAN Group is actively working to expand the reach of Healthcare in Action to new areas both within Southern California and beyond.

- d) benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services.

This transaction will maintain or improve CareOregon's ability to address inequities in health outcomes and access. CareOregon's commitment to addressing health disparities and inequities is built into its mission: to inspire and partner to create quality and equity in individual and community health. CareOregon takes a holistic view of health, which includes housing, food and other social determinants of health. SCAN Health Plan shares these goals. By supporting investments, process improvements and shared learning, HealthRight will allow CareOregon to put more money and staff time into supporting programs and services that address health disparities.

SCAN Group also has a strong commitment to eliminating health disparities. For example, in 2020, SCAN Health Plan kicked off a \$1,000,000 initiative to reduce racial and ethnic disparities in medication adherence. SCAN Health Plan conducted ethnographic interviews with affected populations, hired more than 15 Black and Hispanic care navigators and a pharmacist, and tied employee bonuses to metric improvements. In just 18 months, SCAN Health Plan reduced the racial and ethnic medication adherence gap by 35%, the equivalent of roughly 700 more Black and Hispanic members taking their medications as prescribed. See Sharon Jhawar et al., "How One Health Plan Reduced Disparities in Medication Adherence," *Harvard Business Review* (July 11, 2022), available at <https://hbr.org/2022/07/how-one-health-plan-reduced-disparities-in-medication-adherence>. SCAN Group looks forward to sharing this experience with CareOregon.

10. Will the proposed transaction result in a decrease in competition? If no, please explain. If yes, describe any anticompetitive effects that may result from the proposed transaction.

This transaction will not reduce competition. SCAN Health Plan does not offer any products or services in Oregon, and CareOregon does not offer products or services in California. As

such, this transaction will not consolidate competitors in any market. Should SCAN Health Plan decide to enter an Oregon market, it will represent an expansion of available options for consumers.

11. Indicate the date and nature of any applications, forms, notices, or other materials you have submitted regarding the proposed material change to any other state or federal agency. *Indicate the date and nature of any other applications, forms, notices, or other materials provided to other state or federal agencies relative to the proposed material change, including but not limited to the Oregon Department of Consumer and Business Services, Oregon Public Health Division, Oregon Department of Justice, U.S. Department of Health and Human Services (e.g., Pioneer ACO or Medicare Shared Savings Program application), Federal Trade Commission, and U.S. Department of Justice.*

Form A - Department of Consumer and Business Services (today's date)

Form A - Oregon Health Authority (today's date)


California Department of Managed Health Care (forthcoming)

12. Will the proposed material change transaction change control of a public benefit corporation or religious corporation?

Yes.

III. Signature

Certification and attestation are not required. The electronic signature below should be the name entered in Question #1 and an individual who can sign on behalf of the applicant.

Electronic Signature  _____ Date 12/30/2022